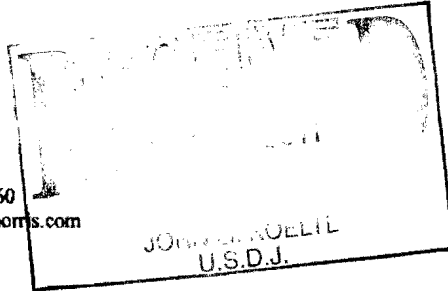


FRAN M. JACOBS  
DIRECT DIAL: 212.692.1060  
E-MAIL: fmjacobs@duanemorris.com

www.duanemorris.com



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May 27, 2011

VIA FACSIMILE

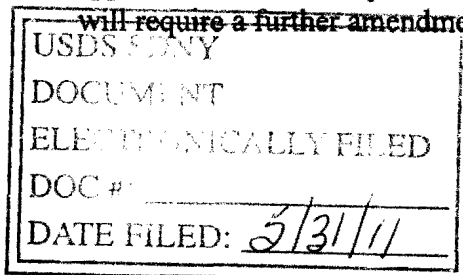
Hon. John G. Koeltl  
United States District Court for the Southern District of New York  
500 Pearl Street  
New York, New York 10007

Re: Atlantis Rehabilitation and Residential Health Care Facility v. Paterson (10-cv-3979)

Dear Judge Koeltl:

Pursuant to this Court's March 7, 2011 memorandum endorsed, the parties submit this letter to report on the status of the above-entitled action. Under the terms of the joint application of the parties, so-ordered on June 30, 2010, three things had to occur before plaintiffs could move for a preliminary injunction and trigger defendants' time to respond to the Complaint - (a) approval by the Center for Medicare and Medicaid Services; (b) the adoption of a budget by the State of New York for FY2010-11; and (c) approval of reimbursement rates by the Director of the Budget of the State of New York. Although one of these events had occurred prior to January 2011, it is not clear to what extent the provisional rates that were the subject of the complaint in this action will change when the rates are finalized.

Due to changes suggested by Governor Cuomo's Medicaid Redesign Team and provisions of the 2011/2012 budget, it appears that a new rate structure will be submitted for approval. Plaintiffs hope soon to be in a position to determine whether the new rate structure will require a further amendment of the complaint or some other action on plaintiffs' part.



Respectfully submitted,

*Fran M. Jacobs*

Fran M. Jacobs

cc: Scott Spiegelman, Assistant Attorney General (by e-mail)

*Parties should report  
to the Court on the status  
of this case by July 29, 2011.  
So ordered.  
5/27/11 [Signature] U.S.D.S.*

DUANE MORRIS LLP

1540 BROADWAY NEW YORK, NY 10036-4086  
DM2/723021.3

PHONE: 212.692.1000 FAX: 212.692.1020